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RUEHLO/AMEMBASSY LONDON 8950  
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RUEHLH/AMCONSUL LAHORE 6251  
RUEHPW/AMCONSUL PESHAWAR 5087  
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SUBJECT: PAKISTAN-CHINA AGREEMENTS: NEITHER NEW NOR SPECIFIC

1. (SBU) Summary. To further the strategic partnership between the two countries, Pakistan and China signed 11 agreements during President Zardari's recent visit to China. These agreements range in scope from economic cooperation to the construction of two nuclear power plants to a Memorandum of Understanding (MoU) between China's Cricket Association and the Pakistan Cricket Board. Although these "new" deals received a large amount of fanfare and press in Pakistan, they are vague in detail and non-binding in nature. Many of the 11 accords are either old or in fields in which the two governments are already heavily collaborating. Pakistan requested a soft loan to deal with the current balance of payment crisis but China has yet to offer any money. End Summary.

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NOTHING NEW IN THE DEALS  
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2. (U) President Zardari traveled to China for four days on his first official state visit abroad. During his stay, Pakistan and China inked 11 deals in order to enhance economic cooperation in various sectors as part of a comprehensive strategic partnership. Both countries agreed that they share many economic opportunities which can be exploited to their mutual benefit. On October 15, protocols and Memoranda of Understanding (MoU) in the fields of infrastructure, information technology, energy, telecommunication, agriculture, industry, minerals, trade, and space technology were established. The 11 deals include:

- Assistance to build two more nuclear power plants;
- Agreement on economic and technical cooperation;
- Amending protocol to the bilateral Free Trade Agreement;
- Framework agreement to set up a USD 300 million National Electronics Complex in Pakistan;
- Framework agreement on mineral cooperation;
- MoU on cooperation in petroleum and natural resources;
- Agreement on environmental protection;
- Framework agreement for cooperation in the field of radio and television;
- Paksat-IR Satellite procurement contract;
- MoU on scientific collaboration in agricultural research and technical cooperation, and;
- MoU on cooperation between China's Cricket Association and the Pakistan Cricket Board.

3. (SBU) The Economic Affairs Division (EAD) Deputy Secretary, Mr.

Waqar Ali, confirmed that all of these agreements are just Memoranda of Understanding that outline the broad areas of cooperation but do not require specific actions. He stated that these MoUs are intentionally general in nature and lacking in details. Ali noted that the governments are not obligated to implement MoUs as they are non-binding. He also reported that this list of 11 agreements may not be the final list as they have not received all of the final details yet. Follow up meetings between GOP officials and Chinese officials will be scheduled to hammer out the details of these MoUs, though no timelines have been fixed as of yet. Furthermore, Ali confirmed that most of these agreements are either old or they are in sectors in which China and Pakistan are already cooperating.

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INVESTMENT WANTED  
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14. (U) According to press reports, President Zardari met with over 200 top corporate executives while in China and offered "special preferential treatment" to Chinese investors and urged them to invest in Pakistan and benefit from its geo-strategic location. He highlighted opportunities for investment in the trade, financial services, banking, energy, construction, real estate and tourism sectors and stated that Chinese companies are welcome to invest in these fields to help develop the country's untapped potential. President Zardari noted that all manner of amenities would be provided to Chinese investors and that he is in favor of the development of Pakistan-China industrial and economic zones across the country.

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15. (U) President Zardari also reportedly met with representatives from important Chinese institutions such as China International Capital Corporation, Export and Import Bank of China, Sinoma Group (cement manufacturing), MCC (steel construction company), All China Federation of Industry and Commerce and Industrial Commercial Bank of China. The media reported that they showed a keen interest and willingness in enhancing the existing cooperation in the banking, agriculture, and financial sectors, as well as in the cement, and steel industries.

16. (U) Prime Minister Yousuf Raza Gilani traveled to Beijing on October 23 to participate in the Asia-Europe Meeting (ASEM). Prime Minister Gilani addressed the plenary session of the ASEM and highlighted Pakistan's role as a bridge between Europe and Asia. He also reportedly met with Chinese businessmen to encourage more investment in Pakistan.

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DESPERATE FOR BUDGETARY SUPPORT BUT NO MONEY ON THE TABLE  
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17. (U) Pakistan requested a soft loan from China to deal with its balance of payments problems and to shore up its finances. While China is purportedly still considering this request, no money was announced during the visit and no GOP officials can confirm that any aid will be forthcoming in the short term. Officials note that China may not deliver money anytime soon as a large loan would require approval from various Chinese ministries and bureaucracies. The heads of the Bank of China, XEM Bank of China and People's Bank of China are reportedly scheduled to visit soon to assess Pakistan's financial needs. In fact, the head of the People's Bank of China, the Chinese Central Bank, is likely to visit Pakistan on October 27. In addition, representatives from the energy, information technology, and mineral development sectors will visit Pakistan to explore opportunities for Chinese companies in their respective sectors. For example, GOP Foreign Minister Qureshi publicly stated that China would play a major role in completing the USD 11 billion Diamer-Bhasha dam and the USD 1.2 billion Neelum-Jhelum hydropower plant.

18. (SBU) Comment. While the signing of these 11 agreements made headlines nationwide, these agreements primarily consist of non-binding Memoranda of Understanding which serve more as general umbrella agreements to indicate cooperation in various sectors

rather than concrete, specific deals. Post believes that the two nuclear power plants that were announced during this visit were part of a plan made several years ago when the Chinese helped construct the Chashma 1 and Chashma 2 nuclear power plants. Post will continue to seek specific deals on any of these agreements and will report septel when available. End Comment.

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